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TAGS: [PGOV](#) [PREL](#) [ECON](#) [KIRF](#) [VM](#)
SUBJECT: DCM DISCUSSES HCMC-HANOI DYNAMICS WITH PEOPLE'S COUNCIL
CHAIRWOMAN THAO

REF: HANOI 1093

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CLASSIFIED BY: Ken Fairfax, Consul General, EXEC, State.
REASON: 1.4 (b), (d)

¶1. (SBU) Summary: On October 2, the DCM engaged HCMC People's Council Chairwoman Pham Phuong Thao in a lively exchange on the challenges of running a large metropolitan city in a booming economy constrained by inadequate infrastructure and public resources. While noting recent efforts HCMC has made to streamline government and implement administrative reforms, Madame Thao candidly assessed how HCMC's relationship with the central government has both helped and hindered the city's efforts to gain more autonomy in managing resources and revenues. Touching on property issues, Thao said HCMC has managed to handle most disputes with religious organizations and land-rights claimants amicably through dialogue, but acknowledged a general need for greater administrative transparency to curb corruption and break the "ask and give" cycle that fosters it. End summary.

HCMC Government Sheds Some Layers

¶2. (C) Madame Thao, fresh from meeting constituents in preparation for an upcoming meeting with the National Assembly, began her meeting with the DCM with familiar themes, outlining three major challenges to growth --inadequate infrastructure, a lack of human resources and insufficient financial capital for development. Snarled traffic and chronic flooding are among the key symptoms of HCMC's infrastructure woes, while a shortage of skilled labor not only hurts businesses but also has a negative effect on public services such as health care and education. Thao said she agrees with complaints from the business community about the slow pace of administrative reform and noted -- quite pointedly -- that HCMC was "bound to a certain extent" by the pace of central government regulations and therefore faced "limits on how fast HCMC could go."

¶3. (SBU) Thao said she remains committed to streamlining local government and reducing the number of steps businesses have to take before they can start a new project, especially for construction and real estate companies. This week, the HCMC People's Committee submitted a plan to abolish the People's Councils in 19 urban districts, 5 suburban districts and 259 wards and communes. This "new urban government" model, which will also be implemented in Hanoi, will eventually eliminate district-level layers of government, leaving just city and ward/commune levels. HCMC will also pilot direct elections of commune-level People's Committee Chairmen in five communes next April under the grassroots democracy ordinance.

¶4. (SBU) The DCM praised HCMC's role as a reform leader, noting that streamlining and increased transparency would continue to

improve the business environment. She also welcomed Madame Thao's efforts to solicit public opinion regarding HCMC's reform priorities through her routine canvassing of HCMC residents. Turning to the relationship with Hanoi, the DCM asked about HCMC's strategy for raising issues with the National Assembly (NA) and the central government.

Our Frenemy Hanoi

15. (C) Overall, Thao said HCMC leaders enjoyed good relations with Hanoi, noting that the two cities had become allies in the National Assembly on issues like expanding jurisdiction and increased revenue-sharing. She made a slight jab at Deputy Prime Minister Nhan, suggesting that his "Five Readies" for facilitating economic growth (information for investors, land, human resources, Internet infrastructure and administrative reform) were not realistic because HCMC still lacked the mechanisms to mobilize capital and the leeway to manage its resources in order to meet those goals. Thao said the price ticket for HCMC's total infrastructure rehab package is USD 30 billion dollars, yet HCMC only receives a USD 1 billion dollar budget from the central government each year. She said HCMC residents would not appreciate being told they had to wait 30 years for this project to be completed. Madame Thao added that asking for more resources from the National Assembly is difficult when you have the highest per-capita income in the country, but are represented by only 23 out of 497 NA delegates.

Instead, HCMC leaders have focused on asking for "better mechanisms" that would allow the city to raise its own capital for much-needed infrastructure and human capital development. The DCM agreed that Hanoi could be an important ally in HCMC's efforts since it also faced constraints to growth and expansion.

Thao on Land and Corruption

16. (C) The DCM said that the Embassy has been urging Hanoi officials to engage in a more productive dialogue with land

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rights claimants, including providing more transparent information about the mechanism for appropriately filing claims and resolving disputes. Noting that the U.S. considered the Catholic's claim on Thai Ha parish to be a legal rather than a religious freedom issue, the DCM asked how HCMC leaders approached similar problems not only with religious groups but also with residents who claim they were unfairly treated or compensated when the government took their land for development purposes. Madame Thao said HCMC actually has more ongoing land rights issues than Hanoi, but so far has been able to maintain a cordial and non-confrontational dialogue without "regrettable incidents" -- an indirect reference to confrontations between Hanoi authorities and Catholic demonstrators at disputed properties at Thai Ha parish and the former residence of the Papal Nuncio (reftel).

17. (SBU) Thao said both the government and the public need to listen to each other and learn how to compromise in order to achieve the best possible solution and settle issues peacefully.

Thao agreed that the government had a responsibility to make all regulations transparent and readily available in order to break the cycle of "ask and give," in which citizens must visit government offices in person to request a service or even to get a simple clarification -- a process that she said provides ample opportunities for corruption. Thao said she is urging city departments to publish regulations on the Internet in order to make them more readily available and hoped this would reduce the need for citizens to queue up and "ask for favors." The DCM agreed and said this was one area where the U.S. and Vietnam could work together to enhance the government's efforts to promote transparency and good governance. FAIRFAX